

# **PUBLIC DISCLOSURE**

**December 30, 2013**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The Cooperative Bank  
Cert. #: 26922**

**40 Belgrade Avenue  
Roslindale, Massachusetts 02131**

**Division of Banks  
1000 Washington St, 10<sup>th</sup> Floor  
Boston, Massachusetts 02118**

**Federal Deposit Insurance Corporation  
350 Fifth Avenue, Suite 1200  
New York, New York 10118**

|              |   |
|--------------|---|
| <b>NOTE:</b> | This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate- income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution. |
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## GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (Division) and the Federal Deposit Insurance Corporation (“FDIC”) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the credit needs of its community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **The Cooperative Bank (the “Bank”)**, prepared by the Division and the FDIC, the institution's supervisory agencies, as of **December 30, 2013**. The agencies evaluate performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division and FDIC rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and in Appendix A to 12 CFR Part 345.

**INSTITUTION'S CRA RATING: This institution is rated “Satisfactory.”**

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The evaluation was conducted using Small Bank CRA procedures, which include the following five performance factors: Loan-to-Deposit (“LTD”) Ratio; Assessment Area Concentration; Borrower Profile; Geographic Distribution; and Response to CRA Complaints. The rating is supported by the following conclusions:

- The Bank's average LTD ratio since the prior evaluation is reasonable.
- The Bank originated a majority of loans within its assessment area.
- The distribution of home mortgage loans and small business loans reflects reasonable penetration of borrowers of different income levels and businesses of different sizes.
- The geographic distribution of home mortgage loans and small businesses reflects a reasonable dispersion throughout the assessment area.
- No CRA-related complaints were received during the evaluation period.

## **SCOPE OF THE EXAMINATION**

This evaluation was conducted jointly by the Division and the FDIC using Small Bank CRA evaluation procedures, as established by the Federal Financial Institutions Examination Council (“FFIEC”). Small Bank Institution CRA evaluation procedures are used for institutions with assets of less than \$296 million as of December 31 of either of the prior two calendar years. The evaluation considered home mortgage lending activity from January 1, 2012 through September 30, 2013 and small business lending from January 1, 2013 through September 30, 2013.

Home mortgage loans include those for the purpose of home purchase, home improvement, or refinancing of a dwelling-secured loan. Pursuant to Home Mortgage Disclosure Act (“HMDA”), the Bank reports its home mortgage lending activity on a Loan Application Register (“LAR”). Small business loans include commercial real estate loans and commercial and industrial loans with original balances of \$1 million or less. Information concerning small business lending was derived from the Bank’s voluntary maintenance of the data needed for analysis under the CRA. Considering its total assets, the Bank is not required to collect or report small business lending data. Consumer loans were not evaluated given the small percentage of the Bank’s total lending activity. The Bank did not originate any small farm loans during the evaluation period.

As residential loans account for the most significant share of the loan portfolio and represent a majority of lending activity during the evaluation period, more weight is assigned to residential lending performance than to small business lending when arriving at conclusions and the CRA rating.

## PERFORMANCE CONTEXT

### Description of Institution

The Co-operative Bank is a state-chartered cooperative bank established in 1898. The Bank is a full-service community bank headquartered at 40 Belgrade Avenue in Roslindale, Massachusetts. In addition to its main office, the Bank operates two full-service branches: 36 Spring Street in West Roxbury, and 201 Main Street in Charlestown. The Bank closed its branch at 265 Washington Street in Westwood in September 2012.

Personal products and services include checking accounts, savings accounts, retirement accounts, CDs, home mortgage loans, and personal loans. Business products and services include checking, disbursement accounts, payroll accounts, credit card processing for merchants, business lines of credit, term loans, equipment and vehicle financing, commercial real estate loans and construction loans. The Bank maintains a website at [www.thecooperativebank.com](http://www.thecooperativebank.com). The Bank's website includes information about personal and business retail services, loans, current rates, and financial planning information. The website also features online banking, called TCB Online, which enables personal and business customers to check account balances, transfer balances, view electronic statements and make bill payments.

As of September 30, 2013, the Bank's assets totaled \$287.4 million and loans totaled \$216.6 million, or 75.4 percent of total assets. Since the previous examination, the Bank's assets have increased by 7.4 percent, which is primarily attributed to 22.9 percent increase in loans. Loans secured by one-to-four family properties account for the most significant portion of the portfolio at 62.3 percent. These loans include closed-end mortgage loans (first and second liens) and revolving, open-end lines of credit. Commercial real estate loans account for the second largest portion of the loan portfolio, at 26.7 percent. This category includes owner-occupied and other non-farm non-residential properties. Table 1 depicts the Bank's loan portfolio composition as of September 30, 2013.

| <b>Table 1</b>   |                                     |                                       |
|--|-------------------------------------|---------------------------------------|
| <b>Loan Portfolio Distribution as of September 30, 2013</b>                                  |                                     |                                       |
| <b>Loan Type</b>   | <b>Dollar Amount<br/>\$ ('000s)</b> | <b>Percent of Total Loans<br/>(%)</b> |
| Closed-End Loans Secured by 1-4 Family Residential Properties: Secured by 1st Liens          | 126,456                             | 58.4                                  |
| Commercial Real Estate (Including Owner-Occupied and Other Non-Farm Non-Residential Prop)    | 57,773                              | 26.7                                  |
| Secured by Multi-Family (5 or more) Residential Properties                                   | 13,179                              | 6.1                                   |
| Revolving, Open-End Loans Secured by 1-4 Family Res. Prop and Extended Under Lines of Credit | 6,018                               | 2.8                                   |
| 1-4 Family Residential Construction Loans  | 5,534                               | 2.5                                   |
| Commercial and Industrial Loans  | 3,876                               | 1.8                                   |
| Closed-End Loans Secured by 1-4 Family Residential Properties: Secured by Second Liens       | 2,368                               | 1.1                                   |
| Loans Secured by Farmland  | 1,263                               | 0.6                                   |
| Loans to Individuals for Household, Family, or Other Personal Expenditures                   | 128                                 | 0.0                                   |
| Other Loans  | 43                                  | 0.0                                   |
| <b>Total Loans</b>   | <b>216,638</b>                      | <b>100.0</b>                          |

Source: September 30, 2013 Call Report

The prior CRA evaluation of the institution was conducted jointly by the Division and the FDIC as of March 8, 2010, and resulted in an overall rating of “Satisfactory.” There are no apparent financial or legal impediments that would limit the Bank’s ability to help meet the credit needs of its assessment area.

## Description of Assessment Area

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Bank’s assessment area, as currently defined, meets the technical requirements of the CRA regulation since it: (1) consists of one or more political subdivisions, (2) includes the geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans, (3) consists of whole census tracts, (4) does not extend substantially beyond state boundaries, (5) does not reflect illegal discrimination, and (6) does not arbitrarily exclude low- and moderate-income areas.

The Bank has designated its assessment area to include the following neighborhoods in the City of Boston: Hyde Park, Jamaica Plain, Roslindale, and West Roxbury and Charlestown. In addition, the assessment area includes the Town of Westwood. The neighborhoods of Hyde Park, Jamaica Plain, Roslindale, and West Roxbury are contiguous neighborhoods within the City of Boston; whereas, Charlestown and the Town of Westwood are not contiguous to these neighborhoods. While these three areas are geographically distinct, all are located in the Boston-Quincy, MA Metropolitan Division (MD), which is part of the larger Boston-Cambridge-Quincy MA-NH Metropolitan Statistical Area (MSA). Table 2 illustrates select demographic characteristics of the assessment area.

| Table 2<br>Assessment Area Demographics      |         |               |                      |                  |                 |               |
|--|---------|---------------|----------------------|------------------|-----------------|---------------|
| Demographic Characteristics                  | #       | Low<br>% of # | Moderate<br>% of #   | Middle<br>% of # | Upper<br>% of # | NA*<br>% of # |
| Geographies (Census Tracts/BNAs)             | 49      | 10.2          | 22.5                 | 32.7             | 28.6            | 6.1           |
| Population by Geography                      | 172,067 | 12.1          | 23.2                 | 34.2             | 30.6            | 0.1           |
| Owner-Occupied Housing by Geography          | 36,132  | 5.4           | 18.2                 | 33.6             | 42.8            | 0.1           |
| Businesses by Geography                      | 12,928  | 11.5          | 22.4                 | 25.7             | 40.4            | 0.1           |
| Family Distribution by Income Level          | 38,846  | 25.6          | 15.4                 | 18.7             | 40.2            | 0.0           |
| Median Family Income                         |         | \$83,664      | Median Housing Value |                  | \$417,335       |               |
| FFIEC-Adjusted Median Family Income for 2012 |         | \$88,800      | Unemployment Rate    |                  | 4.3%            |               |
| Families Below Poverty Level                 |         | 9.8%          |                      |                  |                 |               |

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 US Census and 2012 FFIEC-adjusted MFI

As the data in Table 2 shows, the Bank’s assessment area consists of 49 census tracts, including 5 low-income, 11 moderate-income, 16 middle-income, 14 upper-income, and 3 census tracts with no income designation.

Low-income is defined as individual income less than 50 percent of the area median income. Moderate-income is defined as individual income that is at least 50 percent and less than 80 percent of the area median income. Middle-income is defined as individual income that is at least 80 percent and less than 120 percent of the area median income. Upper-income is defined as individual income that is more than 120 percent of the area median income.

The assessment area has a total population of 172,067, including 38,846 families. Of all families in the area, 25.6 percent are low-income, 15.4 percent are moderate-income, 18.7 percent are middle-income, and 40.2 percent are upper-income. In addition, 9.8 percent of all families are below the poverty level, which is a sub-set of low-income families. As a family with income below the poverty threshold, considering the 2012 median family income of \$88,800, would have income below \$22,200 (50 percent of the low-income threshold). Families of low-income, particularly those below the poverty threshold would likely face significant challenges qualifying for a mortgage loan using conventional underwriting guidelines.

The assessment area consists of 72,265 housing units, of which 36,132 or 50.0 percent are owner-occupied, 31,939 or 44.2 percent are occupied rental units and 4,192 or 5.8 percent are vacant units. The median housing value in 2010 for the assessment area was \$417,335. Recent figures obtained from The Warren Group show that the assessment area's median home prices in YTD 2013 ranged from a low of \$300,000 in Hyde Park to \$610,750 in Westwood. The high cost of housing in the assessment area presents barriers to homeownership, especially for low- and moderate-income families.

According to the 2010 U.S. Census, the unemployment rate of the assessment area was 4.3 percent. The Bureau of Labor Statistics reported a 2012 unemployment rate for the City of Boston of 6.4 percent, which rose to 6.9 percent as of October 2013.

### **Business Demographics**

Data obtained from the 2013 Business Geo-Demographic Data show that there are 12,928 businesses in the assessment area, of which 71.0 percent have gross annual revenues of \$1 million or less, 5.1 percent have gross annual revenues greater than \$1 million, and the remaining 23.9 percent have unknown revenues. Of businesses in the assessment area, 11.5 percent are in low-income census tracts, 22.4 percent are in moderate-income census tracts, 25.7 percent are in middle-income census tracts, and 40.4 percent are in upper-income census tracts. The highest proportion of these business establishments are engaged in the services industry (47.6 percent). Businesses involved in retail trade (11.3 percent), construction (5.8 percent), and finance/insurance/real estate (7.7 percent) make up a significant share of the remaining establishments. In terms of employees, approximately 65.1 percent of the area's businesses employ four or fewer people.

### **Competition**

The Bank faces strong competition from other financial institutions in the residential mortgage market within the assessment area. These institutions range in size from small credit unions to mortgage companies with single office locations to the largest banks in New England. Among the more prominent lenders competing with the Bank are Mortgage Master, Inc., Wells Fargo Bank, N.A., Guaranteed Rate, Inc., Leader Bank, RBS Citizens, N.A., Santander, and Bank of America, N.A. The 2012 aggregate lending data shows 330 lenders originated 8,472 residential mortgage loans in the Bank's assessment area. The Cooperative Bank ranked 13<sup>th</sup>, with 149 residential mortgage loans, capturing a market share of 1.8 percent.

## **Community Contact**

A community contact was performed in conjunction with the CRA review. Examiners met with two individuals from a local organization that specializes in foreclosure counseling, home repair and rehabilitation, and youth services.

The contacts stated there is a need in the community for more flexible underwriting guidelines for borrowers who have marginal credit history. Furthermore, the contacts indicated there is opportunity in the area for financial education, such as seminars focused on first-time homebuyers and credit counseling.

The contacts indicated the assessment area has no one primary credit need. There is a need for many different retail loan products and home financing programs for the purchase, construction, improvement, or refinance of a residence. The area's businesses also require many different commercial credit options to meet a wide variety of financing purposes.



## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **1. LOAN-TO-DEPOSIT ANALYSIS**

The LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans. A comparative analysis was conducted of the Bank's quarterly net LTD ratio for the 15 quarters since the prior CRA evaluation, which include those ending March 31, 2010 through September 30, 2013. These ratios are based on total loans, net of unearned income and net of the allowance for loan and lease losses, as a percentage of total deposits.

The Bank's average quarterly net LTD ratio over the period reviewed is 78.1 percent. The net LTD ratio reached a high of 87.8 percent in September 2013 and a low of 72.0 percent in March 2011. Changes in loan and deposit amounts were analyzed to assess fluctuations in the net LTD ratios. The ratio remained relatively level from March 2010 to September 2012, and increased 10.9 percent between September 2012 and September 2013. During this period, loans experienced a 15.3 percent increase while deposits experienced a marginal increase of 0.9 percent.

During the evaluation period, net loans increased 23.5 percent and deposits increased 8.5 percent. The most significant loan growth occurred between September 2012 and March 2013, when the net loans increased by 12.1 percent. The Bank attributed this increase in loans to the hiring of a residential loan officer and a commercial loan officer in early 2012, as well as a residential loan special the Bank offered during that timeframe.

An analysis was performed of the Bank's average net LTD ratio compared to the ratios of five similarly situated Massachusetts-based financial institutions over the evaluation period. Similarly situated institutions were selected based on geographic location, loan portfolio composition, and total asset size. Table 3 reflects the average net LTD ratios and total assets of The Co-operative Bank and the five similarly situated institutions.

| <b>Table 3</b>                                |                      |  |
|---|----------------------|--|
| <b>Average Net Loan-to-Deposit Comparison</b> |                      |  |
| <b>Bank Name</b>                              | <b>LTD Ratio (%)</b> | <b>Total Assets (\$000s)<br/>as of 9/30/2013</b> |
| <i>The Co-operative Bank</i>                  | 78.2                 | 287,388  |
| Charles River Bank                            | 75.5                 | 215,342  |
| Pilgrim Bank                                  | 74.5                 | 171,862  |
| Weymouth Bank                                 | 73.9                 | 217,400  |
| S-Bank  | 73.8                 | 189,791  |
| Canton Co-Operative                           | 71.2                 | 100,727  |

*Source: Reports of Condition and Income from 3/31/2010 – 9/30/2013*

As shown in Table 3, the average LTD ratios range from 71.2 percent to 78.2 percent. At 78.2 percent, the Bank's ratio is at the top of the range, and is considered reasonable.

## 2. ASSESSMENT AREA CONCENTRATION

This performance criterion determines the percentage of total lending that occurred within the assessment area. Based on a review of home and small business loan data, a majority of the Bank's lending activity occurred in the assessment area during the evaluation period. Table 4 shows the number and dollar volume of residential mortgages originated inside and outside the assessment area in 2012 and from January 1, 2013 through September 30, 2013 (or YTD 2013). Small business loans originated in 2013 are also depicted. The sections following Table 4 discuss the Bank's performance under this criterion by loan type.

| <b>Table 4</b><br><b>Distribution of Home Mortgage and Small Business Loans Inside and Outside of Assessment Areas</b> |                 |             |            |             |            |                       |             |               |             |                |
|--|-----------------|-------------|------------|-------------|------------|-----------------------|-------------|---------------|-------------|----------------|
| Loan Category or Type  | Number of Loans |             |            |             |            | Dollar Volume ('000s) |             |               |             |                |
|  | Inside          |             | Outside    |             | Total      | Inside                |             | Outside       |             | Total          |
|  | #               | %           | #          | %           |            | \$                    | %           | \$            | %           |                |
| <b>2012</b>  |                 |             |            |             |            |                       |             |               |             |                |
| Home Purchase  | 22              | 47.8        | 24         | 52.2        | 46         | 7,554                 | 48.6        | 7,999         | 51.4        | 15,553         |
| Refinance  | 96              | 49.7        | 97         | 50.3        | 193        | 25,944                | 47.9        | 28,169        | 52.1        | 54,113         |
| Home Improvement   | 32              | 66.7        | 16         | 33.3        | 48         | 8,338                 | 55.9        | 6,586         | 44.1        | 14,924         |
| <b>2012 Total</b>  | <b>150</b>      | <b>52.3</b> | <b>137</b> | <b>47.7</b> | <b>287</b> | <b>41,836</b>         | <b>49.5</b> | <b>42,754</b> | <b>50.5</b> | <b>84,590</b>  |
| <b>1/1/2013 – 9/30/2013</b>  |                 |             |            |             |            |                       |             |               |             |                |
| Home Purchase  | 11              | 33.3        | 22         | 66.7        | 33         | 5,947                 | 31.6        | 12,873        | 68.4        | 18,820         |
| Refinance  | 44              | 56.4        | 34         | 43.6        | 78         | 12,913                | 48.1        | 13,923        | 51.9        | 26,836         |
| Home Improvement   | 8               | 53.3        | 7          | 46.7        | 15         | 1,887                 | 54.9        | 1,547         | 45.1        | 3,434          |
| <b>2013 Total</b>  | <b>63</b>       | <b>50.0</b> | <b>63</b>  | <b>50.0</b> | <b>126</b> | <b>20,747</b>         | <b>42.3</b> | <b>28,343</b> | <b>57.7</b> | <b>49,090</b>  |
| <b>Total Home Loans</b>  | <b>213</b>      | <b>51.6</b> | <b>200</b> | <b>48.4</b> | <b>413</b> | <b>62,583</b>         | <b>46.8</b> | <b>71,097</b> | <b>53.2</b> | <b>133,680</b> |
| 2013 Small Business  | <b>13</b>       | <b>46.4</b> | <b>15</b>  | <b>53.6</b> | <b>28</b>  | <b>1,616</b>          | <b>24.7</b> | <b>4,915</b>  | <b>75.3</b> | <b>6,531</b>   |
| <b>Grand Total</b>   | <b>226</b>      | <b>51.2</b> | <b>215</b> | <b>48.8</b> | <b>441</b> | <b>64,199</b>         | <b>45.8</b> | <b>33,258</b> | <b>54.2</b> | <b>140,211</b> |

Source: 2012 & Q1-Q2 2013 HMDA LARs, 2013 Small business Bank records

### *Home Mortgage Loans*

In 2012, the Bank originated 52.3 percent of home mortgage loans in the assessment area by number and 49.5 percent by dollar volume. In 2013, the Bank originated 50.0 percent of its home mortgage loans by number and 42.3 percent by dollar volume inside the assessment area. Overall, the Bank originated 51.6 percent of home number loans by number and 46.8 percent by dollar volume inside the assessment area.

### *Small Business Loans*

In 2013, the Bank originated a majority of its small business loans outside its assessment area. Specifically, 53.6 percent of its small business loans by number and 75.3 percent by dollar volume were outside the assessment area. At the end of 2013, the Bank instituted an in-house small business loan program to help increase the number of small business loans.

### 3. BORROWER PROFILE

The distribution of loans by borrower income and business revenue was reviewed to determine the extent to which the Bank has addressed the credit needs of assessment area residents and small businesses. The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration of loans to individuals of different income levels (including low- and moderate-income) and businesses of different sizes. The following sections discuss the Bank's performance under this criterion by loan type.

#### *Home Mortgage Loans*

The distribution of borrowers reflects, given the demographics of the assessment area, good penetration of loans among borrowers of different income levels, including low- and moderate-income individuals. Table 5 illustrates the distribution of home mortgages by borrower income level in 2012 and 2013, and includes applicable demographic and aggregate data for comparison purposes.

| <b>Table 5</b><br><b>Distribution of Home Mortgage Loans by Borrower Income</b> |   |                           |                           |              |                               |              |
|---|---|---------------------------|---------------------------|--------------|-------------------------------|--------------|
| Borrower<br>Income Level  | Family<br>Distribution by<br>Income Level | 2012<br>Aggregate Lending | 2012<br>Bank Lending Data |              | Bank Lending Data<br>YTD 2013 |              |
|   |   | %                         | #                         | %            | #                             | %            |
| Low   | 13.7                                      | 3.7                       | 12                        | 8.6          | 6                             | 10.7         |
| Moderate  | 20.6                                      | 15.5                      | 26                        | 18.6         | 14                            | 25.0         |
| Middle  | 32.6                                      | 26.8                      | 27                        | 19.3         | 13                            | 23.2         |
| Upper   | 33.1                                      | 54.0                      | 75                        | 53.6         | 23                            | 41.1         |
| <b>Total</b>  | <b>100.0</b>                              | <b>100.0</b>              | <b>140</b>                | <b>100.0</b> | <b>56</b>                     | <b>100.0</b> |

*Sources: HMDA LAR for 2012 and Q1-Q3 2013, 2012 Aggregate Data, and 2010 U.S. Census*

In 2012, the Bank originated 8.6 percent of its home mortgage loans to low-income borrowers and 18.6 percent to moderate-income borrowers, both of which exceeded the aggregate lending performance for the same year. The Bank's performance of lending to low-income borrowers is below the percentage of low-income families in the assessment area; however, this variance is expected and it is noted that 9.8 percent of families had incomes below the poverty threshold (a sub-set of low-income) according to 2010 U.S. Census data. As the FFIEC-adjusted MFI for the Boston-Quincy, MA MD was \$88,800 for 2012, a low-income family would have had income below \$44,400. Families or individuals of this income level, particularly those below the poverty threshold, would likely have difficulty qualifying for a mortgage loan considering the median cost of housing throughout the assessment area. Furthermore, the Bank's performance of lending to moderate-income borrowers was relatively consistent with the percentage of moderate-income families in the assessment area.

In the first nine months of 2013, the Bank originated 10.7 percent of its home mortgage loans to low-income borrowers, and 25.0 percent to moderate-income borrowers. Although the number of loans in the first nine months reflects a decrease in number of loans, the percentage of lending to low- and moderate-income borrowers increased. Although the percentage of loans originated to low-income borrowers was below the percentage of low-income families in the assessment area, the Bank's home mortgage origination percentage to moderate-income borrowers was higher than the percentage of moderate-income families in the assessment area.

### *Small Business Loans*

The distribution of small business loans by gross annual revenue level reflects poor penetration to businesses with gross annual revenues of \$1 million or less as it is not reflective of the percentage of businesses in each revenue category. However, the relatively small number of small business loans originated by the Bank would result in a small increase in lending resulting in a disproportionate change in percentage of lending. Table 6 illustrates the distribution of small business loans by revenue category compared to 2013 business demographic data.

| <b>Table 6</b>   |                                   |              |                                  |
|--|-----------------------------------|--------------|----------------------------------|
| <b>Distribution of Small Business Loans by Gross Annual Revenue Category (GAR)</b> |                                   |              |                                  |
| <b>Gross Annual Revenues<br/>\$('000s)</b>   | <b>2013<br/>Bank Lending Data</b> |              | <b>2013 Total<br/>Businesses</b> |
|  | <b>#</b>                          | <b>%</b>     | <b>%</b>                         |
| <b>≤ \$1,000</b>   | 2                                 | 15.4         | 71.0                             |
| <b>&gt; \$1,000 or N/A</b>   | 11                                | 84.6         | 5.1                              |
| <b>Revenues Not Reported</b>   | 0                                 | 0.0          | 23.9                             |
| <b>Total</b>   | <b>13</b>                         | <b>100.0</b> | <b>100.0</b>                     |

*Source: 2013 Bank small business lending data and the 2013 Business Geodemographic Data*

Bank management attributes the low level of loans to small businesses within their assessment area to an increasing number of new technology-based businesses. These new businesses do not generally have the tangible assets in which the Bank traditionally secures business loans. A small bank does not routinely offer the breadth of loan products necessary to compete for market share for small business lending.

## **4. GEOGRAPHIC DISTRIBUTION**

The geographic distribution of loans was reviewed to determine how well the Bank has addressed the credit needs throughout the assessment areas, particularly in low- and moderate-income tracts. The distribution of loans reflects reasonable dispersion throughout the assessment area, particularly in low- and moderate-income census tracts. Residential mortgage loan conclusions are based primarily on the Bank's performance of lending in low- and moderate-income tracts relative to aggregate lending data and compared to assessment area demographics. Small business lending conclusions are based primarily on the Bank's lending activity in low- and moderate-income tracts as compared to demographics of the assessment area. The following sections discuss the Bank's performance under this criterion by loan type.

### *Home Mortgage Loans*

The distribution of home mortgage loans within the assessment area reflects reasonable dispersion throughout the assessment area, including low- and moderate-income geographies. Table 7 illustrates the distribution of home mortgages as compared to demographic and aggregate data. The three census tracts without an income designation are excluded as the Bank did not originate any loans in these tracts due to nominal, if any demand and opportunity for lending as indicated by demographic data.

| <b>Table 7</b><br><b>Distribution of Home Mortgage Loans by Census Tract Income Level</b> |   |                        |                        |              |                            |              |
|---|---|------------------------|------------------------|--------------|----------------------------|--------------|
| Census Tract Income Level   | % of Total Owner-Occupied Housing Units | 2012 Aggregate Lending | 2012 Bank Lending Data |              | YTD 2013 Bank Lending Data |              |
|   |   | %                      | #                      | %            | #                          | %            |
| Low   | 5.4                                     | 5.4                    | 11                     | 7.3          | 5                          | 7.9          |
| Moderate  | 18.2                                    | 15.7                   | 12                     | 8.0          | 11                         | 17.5         |
| Middle  | 33.6                                    | 29.3                   | 43                     | 28.7         | 22                         | 34.9         |
| Upper   | 42.8                                    | 49.6                   | 84                     | 56.0         | 25                         | 39.7         |
| <b>Total</b>  | <b>100.0</b>                            | <b>100.0</b>           | <b>150</b>             | <b>100.0</b> | <b>63</b>                  | <b>100.0</b> |

Sources: HMDA LAR for 2012 and Q1-Q3 2013, 2012 Aggregate Data, and 2010 U.S. Census

In 2012, the Bank originated 11 home mortgage loans, or 7.3 percent, in low-income tracts, which exceeded aggregate data and the percentage of owner-occupied housing units located in low-income tracts. For the same year, the Bank originated 12 home mortgage loans, or 8.0 percent, in moderate-income tracts, which is significantly lower than aggregate data and the percentage of owner-occupied housing units in moderate-income tracts.

In 2013, the Bank originated 5 home mortgage loans, or 7.9 percent, in low-income tracts, which exceeded the percentage of owner-occupied housing units in this income level of census tract. For the same year, the Bank originated 11 home mortgage loans, or 17.5 percent, in moderate-income tracts, which is slightly lower than the percentage of owner-occupied housing units in moderate-income tracts. The percentage of lending in moderate-income tracts increased nearly two-fold; however, the number of loans was relatively consistent from 2012 through the first nine months of 2013. Given assessment area demographics and the trend of lending from 2012 through the first nine months of 2013, the Bank's home mortgage lending performance under this criterion is considered reasonable.

#### *Small Business Loans*

The distribution of small business loans reflects reasonable dispersion throughout the assessment area, particularly in moderate-income geographies. Table 8 illustrates the distribution of small business loans by census tract income level, as compared to the distribution of businesses within the assessment area.

| <b>Table 8</b><br><b>Distribution of Small Business Loans by Census Tract Income Level</b> |                        |              |                      |
|--|------------------------|--------------|----------------------|
| Census Tract Income Level  | 2013 Bank Lending Data |              | 2013 % of Businesses |
|  | #                      | %            | %                    |
| Low  | 0                      | 0.0          | 13.0                 |
| Moderate   | 6                      | 46.1         | 27.6                 |
| Middle   | 3                      | 23.1         | 30.8                 |
| Upper  | 4                      | 30.8         | 28.7                 |
| <b>Total</b>   | <b>13</b>              | <b>100.0</b> | <b>100.0</b>         |

Source: 2013 Bank small business lending data and 2013 Business Geodemographic Data

In 2013, the Bank did not originate any small business loans in low-income census tracts. According to the demographic data, 13.0 percent of businesses in the assessment area are located in low-income tracts. Of the 13 small business loans originated in the assessment area, 6 loans, or 46.1 percent, were to businesses in moderate-income tracts. The percentage of small business loans in moderate-income census tracts is higher than the overall percentage of businesses located in those tracts. Again because of the relatively small number of loans originated, a relatively small increase in any one category results in a significant increase in the percentage distribution. Given the small number of small business loans, business demographics of the assessment area, and the Bank's level of lending in moderate-income tracts, performance under this criterion is considered reasonable overall.

## **5. RESPONSE TO CRA COMPLAINTS**

The Bank did not receive any CRA-related complaints since the previous examination.

## **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES**

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

## APPENDIX A

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to the Regulatory Bulletin 1.3-106.

The Bank has a thoroughly written loan policy as well as a written fair lending policy. All mortgage loans are written to secondary market guidelines. Exceptions to policy are tracked and reported to the Board on a quarterly basis. The Bank has a second review for all denied home mortgage loans.

Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices, no violations of anti-discrimination laws and regulations were identified.

### MINORITY APPLICATION FLOW

The Bank's residential lending in 2012 was compared with 2012 aggregate lending performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to the following table for information on the Bank's minority application flow as well as a comparison to aggregate data for the Bank's assessment area.

| <b>Table 9<br/>Minority Application Flow</b> |            |              |                           |           |              |
|--|------------|--------------|---------------------------|-----------|--------------|
| <b>RACE</b>                                  | Bank 2012  |              | 2012<br>Aggregate<br>Data | Bank 2013 |              |
|  | #          | %            | %                         | #         | %            |
| American Indian/ Alaska Native               | 0          | 0.0          | 0.1                       | 0         | 0.0          |
| Asian  | 3          | 1.4          | 4.2                       | 1         | 1.3          |
| Black/ African American                      | 3          | 1.4          | 4.6                       | 1         | 1.3          |
| Hawaiian/Pacific Islander                    | 0          | 0.0          | 0.2                       | 0         | 0.0          |
| 2 or more Minority Races                     | 0          | 0.0          | 0.0                       | 0         | 0.0          |
| Joint Race (White/Minority)                  | 2          | 0.9          | 1.7                       | 1         | 1.3          |
| <b>Total Minority</b>                        | <b>8</b>   | <b>3.7</b>   | <b>10.8</b>               | <b>3</b>  | <b>3.9</b>   |
| White  | 172        | 80.8         | 62.1                      | 61        | 80.3         |
| Race Not Available                           | 33         | 15.5         | 27.1                      | 12        | 15.8         |
| <b>Total</b>                                 | <b>213</b> | <b>100.0</b> | <b>100.0</b>              | <b>76</b> | <b>100.0</b> |
| <b>ETHNICITY</b>                             |            |              |                           |           |              |
| Hispanic or Latino                           | 5          | 2.3          | 3.7                       | 3         | 4.0          |
| Not Hispanic or Latino                       | 170        | 79.8         | 68.4                      | 60        | 78.9         |
| Joint (Hisp/Lat /Not Hisp/Lat)               | 4          | 1.9          | 1.1                       | 0         | 0.0          |
| Ethnicity Not Available                      | 34         | 16.0         | 26.8                      | 13        | 17.1         |
| <b>Total</b>                                 | <b>213</b> | <b>100.0</b> | <b>100.0</b>              | <b>76</b> | <b>100.0</b> |

*Sources: 2012 and 2013 HMDA LAR & 2012 HMDA Aggregate Data*

The Bank's performance in 2012 is lower than the aggregate's level of racial and ethnic minority home mortgage applications; the Bank received 7.9 percent of its applications from minorities, while the aggregate received 15.6 percent from minorities.

According to the 2010 U.S. Census, the assessment area contained a total population of 172,602 individuals of which 43.4 percent are minorities. The assessment area's racial and ethnic minority population is 18.2 percent Black/African American; 5.5 percent Asian; 0.2 percent American Indian; 2.5 percent "other" and 17.0 percent Hispanic or Latino.

In 2012, the Bank received a total of 213 HMDA reportable loan applications within the assessment area. Of the 17 applications received from minority applicants, 64.7 percent resulted in originations, which is higher than the aggregate origination percentage at 58.0 percent.



## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks at 40 Belgrade Avenue, Roslindale, MA 02131."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.